Illinois Association of County Board Members

2013 Spring Session pension legislation

Pension reform: Two-tier and police and fire

Historical pension legislation

Insight

Illinois Pension Legislation

Pension reform is a key topic of debate in every corner of the state. Currently, Illinois faces a $100 billion unfunded pension liability. The objective of this report is to provide a summary of Illinois' pension history, primarily legislative actions which partly led to the crisis, and more recent laws enacted to structure pension reform.

Abbreviations and acronyms used in the report

(GARS) – General Assembly Retirement System
(JRS) – Judges Retirement System of Illinois
(ERO) – Early Retirement Option
(ERI) – Early Retirement Incentive
(IMRF) – Illinois Municipal Retirement Fund
(SLEP) – Sheriff's Law Enforcement Personnel
(RTA) – Regional Transportation Authority
(SERS) – State Employee's Retirement System of Illinois
(SURS) – State Universities Retirement System
(TRS) – Teachers' Retirement System of Illinois
(CTPF) – Chicago Teacher Pension Fund
(CTA) – Chicago Transit Authority
(COGFA) – Commission on Government Forecasting and Accountability
(COLA) – Cost of Living Adjustment

ILLINOIS STATUTES

SB 1366 (P.A. 98-0042)
TRS Early Retirement Option

On May 31, the Illinois General Assembly approved legislation that extends the Early Retirement Option (ERO) for active Teacher's Retirement System members until June 30, 2016.

Currently, TRS members who do not use the modified Early Retirement Option under P.A. 94-0004 who retire with less than 35 years of service see a reduction of 6% per year for every year they are under the age of 60. By utilizing ERO, teachers who are between the ages of 55 and 60 who have at least 20 but less than 35 years of service may retire without a discounted annuity by paying a specified amount to TRS. School district contributions are also required for a member to retire under ERO. P.A. 94-0004, which became effective on July 1, 2005, set the member ERO contribution rate at 11.5% multiplied by the lesser of the number of years of partial years of service under 35 years, or the number of years or partial years the teacher is shy of age 60. The school district ERO contribution rate is currently set at 23.5% multiplied by each year or partial year that the teacher's age is less than 60.

P.A. 94-0004 required COGFA to make a recommendation to the General Assembly by February 1, 2013 on any proportional adjustments to member and employer contribution rates. In accordance with TRS' experience study by Buck Consultants, COGFA's actuary, Sandor Goldstein, conducted a review of Buck's recommended revision to member and employer ERO contribution rates.
Mr. Goldstein found the revised rates (14.4% for members and 29.3% for employers) to be sufficient to fund 100% of the ERO benefit. COGFA's recommendation was transmitted to the General Assembly on January 10th.

SB 1366 extends the ERO at the employee and employer rates recommended by COGFA for members who retire on or after July 1, 2013 and before July 1, 2016.

During the 2013 General Assembly Spring Session, lawmakers passed several pension bills that were signed into law by the Governor.

HB 140 (P.A. 98-0108)
RTA Board – Eliminate Benefits
Amends the State Employee Group Insurance Act of 1971 and the Illinois Pension Code. The bill specifies that those Acts do not apply to board members of the Regional Transportation Authority, Metra, CTA, and Pace who first become members of those boards on or after the effective date of the amendatory Act with resect to service on those boards.

HB 1375 (P.A. 98-0391)
Downstate Firefighter Child Pension
Amends the Downstate Firefighters article of the Illinois Pension Code to increase certain annuities to surviving children from 12% of monthly salary up to 20%. According to Department of Insurance data, in FY 2010, payments for children's annuities totaled $352,000. Children's annuities are paid at 12% of the firefighter's salary if there is a surviving spouse and 20% of the firefighter's salary if the surviving spouse dies. In cases where the surviving spouse has died, the annuity is paid to the child's legal guardian.

HB 2583 (P.A. 98-0427) – Chicago Charter School
Currently, the Chicago Teacher article of the Pension Code covers persons who are employed in a charter school so long as they have achieved the requisite teacher certification. Persons who are employed by a charter school on an hourly basis are excluded from participation in the Chicago Teacher Pension Fund (CTPF). HB 2583 provides that a member who teaches in a charter school may not be reclassified from "non-hourly" to "hourly" in order to relieve the charter school from making contributions to CTPF on the employee's behalf. HB 2583 also provides that all teachers and staff of charter schools shall participate in CTPF, unless the charter school can prove to the satisfaction of the CTPF board that the teacher or staff member is not working as a teacher or administrator with the charter school. The bill also provides that employers that fail to submit payroll records to the fund will be subject to a penalty of $100 per day for each day that a required payroll submission is late.

HB 2767 (P.A. 98-0449) – No Board Stipends
Amends the State Employee Article of the Pension Code. Redefines "compensation" to exclude any stipend payable for service on a board or commission after July 1, 2013.

HB 2993 (P.A. 98-0092) – State Universities Tier 2
Amends the State Universities Retirement System (SURS) article of the Pension Code. The bill incorporates the language from the Tier 2 reform act, P.A. 96-0889, into the SURS article of the Pension Code (the Tier 2 language currently resides in the General Provisions article of the Pension Code). SURS claims this change is necessary to address issues of statutory interpretation that have arisen since P.A. 96-0889 took effect.

The following Public Acts make specific changes to the Illinois Municipal Retirement Fund

HB 1351 (P.A. 98-0389) – IMRF Return to Service
Amends the IMRF Article of the Illinois pension code to establish a permitted number of hours per year an employee annuitant can return to work without losing their pension. The bill provides that an annuitant shall be subject to suspension of his or her pension if they return to work as an employee and work more than 599 hours annually (or 999 hours annually with an employer that has adopted a resolution excluding from participation in IMRF any person employed in a position normally requiring less than 1000 hours of work annually). In addition, HB 1351 specifically excludes elected officials from suspension of any annuities when working in their elected position.

HB 1444 (P.A. 98-0218) – IMRF Amortization
Under current law, the IMRF article of the Illinois Pension Code asserts the IMRF Board will convene on a monthly basis and that the amortization period for employers with unfunded liabilities should be set in accordance with generally accepted accounting principles. HB 1444 allows the Board of Directors to convene on a quarterly rather than a monthly basis. Additionally, the bill specifically states that participating municipalities have up to a 30-year amortization period to pay down unfunded liabilities while participating instrumentalities have up to a 10-year amortization period for unfunded liabilities. Finally, this bill makes a few grammatical and technical corrections throughout the IMRF article of the Pension Code.

HB 2656 (P.A. 98-0439) – IMRF Transferred Credit
Under current law, a police chief participating in a local police retirement fund (as governed by Article 3 of the Illinois Pension Code) may make an irrevocable election to transfer credit from said fund into IMRF. IMRF currently utilizes an average when converting Article 3 police chief credit into IMRF Sheriff's Law Enforcement Personnel (SLEP) credit. HB 2656 adds a provision to the process of transferring credit, such that if the actuarial monetary equivalent to the police chief's credit is insufficient to claim similar credit in IMRF, the member must either make a one-time contribution to cover the difference or accept the reduction in credit. Essentially, this bill stipulates IMRF must make actuarially-sound conversions when accepting credit from an Article 3 police chief.

ILLINOIS STATUTES

SB 1584 (P.A. 98-0043)
Chicago Retirees Healthcare

The passage of Senate Bill 1584 was initially met with criticism from the uninformed as it was inaccurately stated that this bill would force city of Chicago retirees into the Affordable Care Act. This is a pension healthcare subsidy bill. It allows the pension fund to continue making supplemental payments on behalf of the annuitants for health care.

Prior to the passage of SB 1584, the Chicago Police, Fire, Municipal, and Laborers' Pension Funds each made a payment to the city of Chicago in order to participate in the city's health care plans.

This payment amount is the sum of:
- For those members not eligible for Medicare benefits, $95 per month per annuitant; and
- For those members eligible for Medicare benefits, $65 per month per annuitant.

Under the law that existed prior to the passage of SB 1584, this payment was to have been made through June 30, 2013. SB 1584 extends the payment duration through the sooner of December 31, 2016 or until the city no longer provides a health care plan for such annuitants.

SB 1921 (P.A. 98-0551)
Cook County Salary Reporting
Amends the Cook County and Cook County Forest Preserve Articles of the Pension Code. The bill makes various technical changes regarding salary reporting for disability purposes as well as a clarifying definition of "earned annuities." In addition, SB 1921 provides for pension fund records to be photographed, microfilmed, or digitally or electronically reproduced in accordance with the Local Records Act.

TWO-TIER PENSION REFORM
Public Act 96-0889

On April 14, 2010, Governor Pat Quinn signed into law the most significant public pension reform bill in Illinois history.

The law is estimated to save more than $200 billion over nearly 35 years, stabilize current employee pensions and provide new state workers with an alternative pension plan. The legislation caps pensionable salary at $106,800 and raises the retirement age for full benefits to 67 with ten years of service. It eliminates the 3 percent annually-compounded cost-of-living rate increase and replaces it with simple interest raises of half the consumer price index (CPI) or 3 percent, whichever is lower. The legislation also forbids the practice of pension "double-dipping," where someone receives a public pension while drawing a salary from a different public system.

KEY PROVISIONS OF P.A. 96-0889

Effective Date: January 1, 2011

Systems Impacted: IMRF, Chicago Municipal, Cook County, Cook County Forest Preserve, Chicago Laborers, Chicago Park District, Metropolitan Water, SERS, SURS, TRS, Chicago Teachers (Judges and General Assembly separate; CTA, Police, and Fire excluded)

Retirement Eligibility – Except State Policemen, Firefighters, and Correctional Guards
- Normal Retirement: 67 years old with 10 years of service
- Early Retirement: 62 years old with 10 years of service with a 6% per year reduction in benefits for each year age is under 67
- Annuity based on highest 8 years out of last 10 years of service
- Annual Final Average Salary may not exceed $106,800, as automatically increased by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year

Retirement Eligibility – State Policemen, Firefighters, and Correctional Guards
- Normal Retirement: 60 years old with 20 years of service
- State Policemen, Firefighters, DOC Guards are still eligible for Alternative Formula

Annual Increases in Annuity
- Increases begin at the later of the first anniversary of retirement or at age 67
- Increases equal to the lesser of 3% of one-half the annual increase in the CPI-U during the preceding 12-month calendar year; if increase in CPI is zero or if there is a decrease in CPI, then no COLA is payable
- Increase not compounded

Survivor Benefits
- 66.7% of the earned retirement benefit at death
- Increased by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year
- Increases not compounded

"Double Dipping" Prohibited
- Prohibition on simultaneously collecting a pension and a salary with public employer

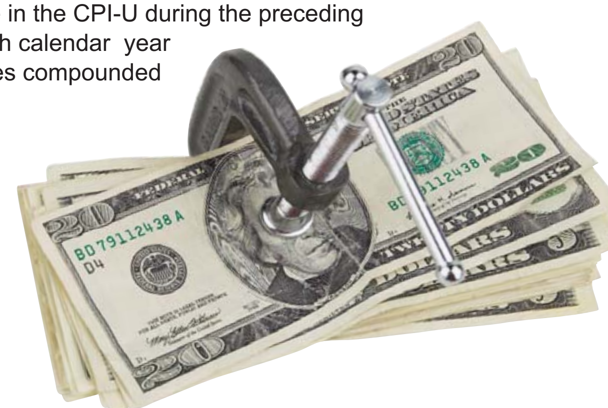
Chicago Teachers' Extension of Funding Plan
- Contributions specified in Fiscal Years 2011 – 2014
- New Goal: CTPF must reach 90% by 2059 (currently 2045)

Retirement Eligibility – Judges and General Assembly
- Normal Retirement: 67 years old with 8 years of service
- Early Retirement: 62 years old with 8 years of service

Change in Benefit Formula – Judges and General Assembly
- 3% of Final Average Salary for each year of service
- Maximum annuity 60% of Final Average Salary
- Retirement annuity based on highest 8 out of final 10 years of service

Annual Increase in Annuity – Judges and General Assembly
- Increases begin after attainment of age 67
- Increases equal to the lesser of 3% or one-half of the annual increase in the CPIU during the preceding 12-month calendar year
- Increases compounded

Annual Increase in Survivor's Annuity – Judges and General Assembly
- 66.7% of the earned retirement benefit at death
- Increased by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year
- Increases compounded



POLICE AND FIRE PENSION REFORM
Public Act 96-1495

On December 20, 2010, Governor Pat Quinn signed into law a bill reforming police and fire pensions in Illinois.

As communities throughout the state struggle to recover from the effects of the nation's economic recession, counties and municipalities face the increased challenge of funding pensions. The changes made under SB 3538 were introduced to help ease that burden. The law makes changes to pension requirements for individuals hired on or after January 1, 2011. Reforms under the law include: maximum pension of 75 percent of an individual's average salary; the pensionable salary maximum will be capped at $106,800, with annual increases as outlined in the law; and monthly cost-of-living adjustments will begin at age 60 for retirees and survivors, and will be either 3 percent or one-half of the urban consumer price index, whichever is less.

KEY PROVISIONS OF P.A. 96-1495

Effective Date: January 1, 2011

Systems Impacted: Downstate Police, Downstate Fire, Chicago Police, Chicago Fire, IMRF (SLEP)

Creation of a Two-Tier System for Firefighters and Police Officers
- Benefits for current police officers and firefighters have not changed
- Changes only apply to police officers and firefighters hired on or after January 1, 2011
- Normal Retirement: 55 years old with 10 years of service
- Early Retirement: 50 years old with 10 years of service, but penalty of ½ % for each month that the police officer or firefighter is younger than 55 years
- Retirement Pension based upon 2.5% of Final Average Salary for a maximum of 75%
- Annuity based on highest 8 years out of last 10 years of service
- Annual Final Average Salary may not exceed $106,800, as automatically increased by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year

Annual Increases in Annuity
- Increases begin at age 60 either on the January 1st after police officer/firefighter retires or the first anniversary of pension starting date, whichever is later
- Increases equal to the lesser of 3% of one-half the annual increase in the CPI-U during the preceding 12-month calendar year; if increase in CPI is zero or if there is a decrease in CPI, then no COLA is payable
- Increase not compounded

Survivor Benefits
- 66.7% of the earned retirement benefit at death
- Increased by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year
- Increases not compounded

Municipal Funding Provisions
- Pension funds must be 90% funded by Fiscal Year 2040
- Annual Municipal contributions will be calculated as level percentage of payroll under "Projected Unit Credit Actuarial Cost Method"
- Comptroller is authorized to redirect municipal monies directly to pension funds if municipal contributions are insufficient
- Future pension fund studies are authorized to review the condition of pension funds and potential investment pooling

The Governor also signed SB 550 (P.A. 96-1490). The technical law enables public employee retirement systems to administer the two-tier pension system signed into law during the 2010 spring session.

Historic Pension Legislation

ILLINOIS STATUTES

88th General Assembly (1993-1994)

Funding Plan for State-Funded Retirement Systems (P.A. 88-0593)
Implemented a funding plan for the five State retirement systems that requires the State to make contributions as a level percent of payroll in fiscal years 2011 through 2045, following a phase in which began in fiscal year 1996. The contributions are required to be sufficient, when added to employee contributions, investment income, and other income, to bring the total assets of the systems to 90% of the actuarial liabilities by fiscal year 2045. Each system is required to certify the amount necessary for the next fiscal year by November 15 of the current fiscal year, for inclusion in the Governor's budget.

Example: The FY 2008 actuarial reports will be released in November 2008, and will contain the actuarially certified contributions for FY 2010.

89th General Assembly (1995-1996)

Funding Plan for Chicago Teachers' Pension Fund (P.A. 89-0015)
Established a funding plan for the Chicago Teachers' Pension Fund under which the Chicago Board of Education is required to make a minimum annual contribution to the fund in an amount that will bring the funded ratio up to 90% by the end of Fiscal Year 2045. For fiscal years 1999 through 2010, the Board of Education's contribution is to be increased in equal annual increments so that by Fiscal Year 2011, the Board of Education is making contributions as a level percentage of payroll each year through FY 2045.

90th General Assembly (1997-1998)

SERS Formula Increase (P.A. 90-0065)
Implemented a flat rate formula for SERS Regular Formula members covered by Social Security of 1.67% for all years of service. Regular Formula members not covered by Social Security moved to a flat rate formula of 2.2% for all years of service. The Act applied to all members retiring on or after January 1, 1998.

Funding Plan for Chicago Teachers' Pension Fund (P.A. 90-0548)
Revised the funding plan outlined in Public Act 89-0015 to stipulate that the Chicago Board of Education need not make pension contributions unless the funded ratio drops below 90%.

State Contributions to Chicago Teachers' Pension Fund (P.A. 90-0582)
Requires the state to contribute 0.544% of the Chicago Teachers' Pension Fund's total teacher payroll when the funded ratio drops below 90%.

TRS Formula Increase (P.A. 90-0582)
Implemented a retirement formula increase for members of the Teachers' Retirement System. The Act provided that active teachers would earn creditable service on or after July 1, 1998 at a rate of 2.2% of final average salary for each year of service. The Act also allowed teachers to make contributions to TRS in order to upgrade past service earned prior to the implementation of the flat-rate formula.

Chicago Teachers Formula Increase (P.A. 90-582)
Implemented a retirement formula increase for Chicago Teachers. The Act provided that active teachers would earn creditable service on or after July 1, 1998 at a rate of 2.2% of final average salary for each year of creditable service. The Act allowed Chicago teachers to make contributions to the fund in order to upgrade past service earned prior to the implementation of the new flat-rate formula.

Creation of Self-Managed Plan in SURS (P.A. 90-0448)
Gave members of the State Universities Retirement System the option to enroll in a Self-Managed Plan in which participants are able to choose from a variety of investment options ranging from mutual funds to annuity contracts. Members who choose the SMP become vested after earning 5 years of service credit.

91st General Assembly (1999-2000)

"Rule of 85" for SERS (P.A. 91-0927)
Created a "Rule of 85" for the State Employees' Retirement System, wherein an employee is eligible to retire when the employee's age plus service credit equals 85 years.

Downstate Fire Formula Increase (P.A. 91-0466)
Prior to the enactment of P.A. 91-0466, Downstate Firefighters received an annuity of 50% of salary for the first 20 years of service, plus 2% of salary for each year of service between 21 and 30 years, plus 1% of salary for each year of service over 30 years. The Act increased the retirement formula to 2.5% of salary for the 21st through 30th year of service. The maximum annuity of 75% of salary was not changed. In effect, the Act allowed the maximum annuity of 75% of salary to be reached in 30 years, instead of 35 years.

Downstate Police Formula Increase (P.A. 91-0939)
Prior to the enactment of P.A. 94-0939, Downstate Police officers received an annuity of 50% of salary for the first 20 years of service, plus 2% of salary for each year of service between 21 and 30 years, plus 1% of salary for each year of service over 30 years. The Act increased the retirement formula to 2.5% of salary for the 21st through 30th year of service, beginning January 1, 1999. The maximum annuity of 75% of salary was not changed. In effect, the Act allowed the maximum annuity of 75% of salary to be reached in 30 years, instead of 35 years.

92nd General Assembly (2001-2002)

SERS Alternative Formula Increase (P.A. 92-0014)
Changed the retirement formula for alternative formula employees to 2.5% for each year of service for members coordinated with Social Security and 3.0% for each year of service for non-coordinated members. The Act increased the maximum retirement annuity for alternative formula employees to 80% of final average salary.

Addition of Highway Maintenance Workers to the SERS Alternative Formula (P.A 92-0257)
Added state highway maintenance workers to the alternative formula under SERS. Specifically, the Act included persons employed on a full-time basis by the Illinois Department of Transportation in the position of highway maintainer, highway maintenance lead worker, heavy construction equipment operator, and other job titles. The bill also added several positions within the Illinois State Toll Highway Authority such as equipment operator/laborer, welders, sign makers/hangers, and other job titles.

SERS Early Retirement Incentive (Public Act 92-0566)
Created the 2002 Early Retirement Incentive for certain SERS and TRS members. The ERI allowed members to purchase up to five years of service credit and age enhancement. Eligible members were then required to leave employment between July 1, 2002 and December 31, 2002. Over 11,000 members took advantage of the ERI, and a majority of the participants were eligible to receive benefits immediately following termination.

93rd General Assembly (2003-2004)

Pension Obligation Bond (P.A. 93-0002)
Amended the General Obligation Bond Act to increase bond authorization by $10 billion. These general obligation bonds were designated as a pension funding series. The State used a portion of the bond proceeds to pay part of the FY 2003 State contribution and all of the FY 2004 State contributions to the retirement systems. Of the $10 billion, $7.3 billion was used to reduce the unfunded liabilities of the State-funded retirement systems.

Along with the $10 billion increase in bond authorization, Public Act 93-0002 included a provision requiring State contributions to the retirement systems to be reduced by the amount of the debt service (the amount of principal and interest payments) on the bonds. The legislation set the maximum annual employer contribution to each system at the amount that would have been contributed without the bond issuance, minus the total debt service payments for the fiscal year. Effectively, the reduction in retirement contributions is used to pay the debt service on the bonds.

Benefit Enhancement for Downstate Fire Pension Funds (P. A. 93-0689)
Implemented the benefit enhancements for Downstate Fire pension funds. Increased the surviving spouse annuity from 54% of the deceased firefighter's final salary to 100% of the deceased firefighter's annuity. Increased the minimum retirement annuity from $1,030 per month to $1,159.27 per month over a four-year period for firefighters with 20 or more years of service.

94th General Assembly (2005-2006)

Change in Funding Provisions for State Systems (P.A. 94-0004)
Changed the funding plan created in 1994 by P.A. 88-0593. The Act set the State contribution levels for FY 2006 and FY 2007, rather than requiring the State to make contributions based on actuarial calculations contained in the funding plan under P.A. 88-0593. The separate funding of the liability created by the 2002 SERS Early Retirement Incentive was eliminated.

SERS Alternative Formula Changes (P.A. 94-0004)
Prior to enactment of P.A. 94-0004, all employees of the Dept. of Corrections were covered by the SERS alternative formula. P.A. 94-0004 provides that for employees entering service after July 1, 2005, only Dept. of Corrections employees who are headquartered at a correctional facility, parole officers, members of an apprehension unit, members of an intelligence unit, and DOC investigators will be covered by the alternative formula. New employees included in other groups currently covered by the alternative formula will continue to be eligible for the SERS alternative formula.

SURS Money Purchase Retirement Option Changes (P.A. 94-0004)
Eliminated the money purchase formula for employees who became members of SURS after July 1, 2005. Beginning in FY 2006, the Act requires the Comptroller (rather than the SURS Board of Trustees) to determine the interest rate to be used when crediting interest to the accounts of current employees.

Teacher Sick Leave Service Credit (P.A. 94-0004)
Prior to enactment of P.A. 94-0004, members of TRS could establish up to 2 years of service credit for unused and uncompensated sick leave without making contributions. P.A. 94-0004 provides that if days granted by an employer are in excess of the normal annual sick leave allotment, the employer is required to contribute to TRS the normal cost of the benefits associated with this excess sick leave.

ILLINOIS STATUTES

Salary Increase Payments for Teachers and State University Personnel (P.A. 94-0004)

Provided a mechanism by which the liability associated with salary increases above a certain level may be shifted to the employer (school districts and universities) providing those salary increases. The Act provides that during the years used to determine final average salary, the employer must pay to TRS or SURS an amount equal to the present value of the increase in benefits resulting from salary increases above 6%.

The employer contribution required by P.A. 94-0004 must be paid in a lump sum within 30 days of the receipt of the bill from the retirement system. The Act specifies that the retirement system must calculate the contribution amount using the same actuarial assumptions and tables used for the most recent actuarial valuation.

The salary increase payment provision for TRS and SURS contained in P.A. 94-0004 does not apply to salaries paid under contracts or collective bargaining agreements entered into, amended, or renewed before the effective date of the Act (June 1, 2005).

94th General Assembly *continued*

Retention of "Pipeline" Early Retirement Option in TRS (P.A. 94-0004)

An Early Retirement Option for members of TRS was created in 1980 and, prior to 2005, had been extended every 5 years since its inception. (Public Act 91-0017 extended the TRS ERO option until June 30, 2005). If an employee exercised the ERO option (i.e. retires before age 60 with less than 34 years of service) employee and employer contributions were required to avoid discount. The employee contribution was 7% of salary for each year less than age 60 or 35 years of service (whichever is less) and the employer contribution was 20% of salary for each year less than age 60. Public Act 92-0582 removed the employee contribution for members with 34 years of service and Public Act 91-0017 removed the employer contribution requirement for employees who retire with 34 years of service. P.A. 94-0004 allowed TRS members to participate in the "pipeline" ERO if the member retired between June 30, 2005 and July 1, 2007.

New Early Retirement Option in TRS (P.A. 94-0004)

Creates a new ERO effective July 1, 2005. If an employee exercises the new ERO option (retires before age 60) employee and employer contributions are required to avoid discount. The employee contribution is 11.5% of salary for each year less than age 60 or 35 years of service (whichever is less) and the employer contribution is 23.5% of salary for each year less than age 60. In addition, all active TRS members are required to contribute 0.4% of salary towards the cost of ERO. This contribution would be refunded, without interest, if the member does not utilize the ERO, if the member takes a refund from TRS, if the member dies, or if the ERO is terminated.

By June 30, 2012 (and every 5 years thereafter), TRS is required to review the System's ERO experience to determine if the required contributions adequately fund the ERO. The TRS Board of Trustees must submit the results to the Commission on Government Forecasting and Accountability, who must then recommend to the General Assembly (by February 1, 2013) if the required ERO contributions should be adjusted. If the General Assembly does not adjust the required contributions as recommended, the ERO would be terminated at the end of that fiscal year.

Extension of Early Retirement Option for Chicago Teachers (P.A. 94-0004)

Public Act 91-0017 extended the Early Retirement Option in the Chicago Teachers' Pension Fund until June 30, 2005. If an employee exercises that option by retiring before age 60 with less than 34 years of service, employee and employer contributions are required to avoid a reduction in annuity. The employee contribution is 7% of salary for each month less than age 60 or 35 years of service (whichever is less), and the employer contribution is 20% of salary for each year less than age 60. No employee or employer contributions are required for members with 34 years of service. Currently, each employer has the authority to determine whether it should provide an ERO for its employees.

Public Act 94-0004 extends the ERO option to June 30, 2010. The Act also specifies that the employer may not limit the number of ERO participants to less than 200 (rather than 30% of eligible members). The Act also allows the employer and collective bargaining agent to agree to set the limit higher than 200, and to base the allocation for participation on a basis other than seniority.

Application of New Benefits (P.A. 94-0004)

Requires every new benefit increase to identify and provide for additional funding at least sufficient to fund the resulting annual increase in cost as it accrues to the System. Unless the funding inadequacy is corrected by the General Assembly, the benefit increase would expire at the end of the fiscal year. In addition, provides that all benefit increases will expire 5 years after the effective date of the increase, unless an earlier date is specified in the legislation that provides the benefit increase. This provision does not apply to the Chicago Teachers' Pension Fund.

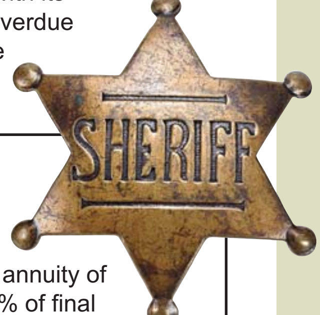
SOURCES: Illinois General Assembly, Office of the Governor, and the Commission on Government Forecasting and Accountability.

CTA Pension Funding Requirements (P.A. 94-0839)
Stipulates that, beginning January 1, 2009, the Chicago Transit Authority must make annual contributions to the CTA Pension Fund in order to bring the system's funded ratio to 90% by Fiscal Year 2058. The Act specifies that contributions will be made as a level percentage of payroll over the years remaining to and including FY 2058. The CTA must then make annual contributions in FY 2059 and thereafter at an amount necessary to maintain a 90% funded ratio.

Separation of CTA Pension Fund Retiree Healthcare and Pension Liabilities (P.A. 94-0839)
Requires that pension contributions by the CTA shall not take into account liabilities relating to retiree health care benefits. The Act mandates that the CTA must separate pension funding from retiree healthcare funding by January 1, 2009.

Pension Funding Requirements for Regional Transportation Authority, Metra, and Pace Pension Funds (P.A. 94-0839)
Stipulates that the RTA, Metra, and Pace shall have a general duty to make timely contributions to their respective defined benefit pension plans in accordance with the terms of each plan. If any of the aforementioned funds falls below a 90% funded ratio, the employer will be required to contribute at an amount sufficient to bring the funded ratio up to 90% in accordance with an amortization schedule adopted jointly by the employer and the trustee of the pension fund. The amortization schedule may extend for up to 50 years. P.A. 94-0839 further states that if any of the aforementioned employer-sponsored defined benefit plans reaches a 90% funded level, the employer and the trustee of the fund may cancel the amortization schedule and instead make annual contributions sufficient to maintain a 90% funded ratio.

RTA Oversight of CTA Pension Funding (P.A. 94-0839)
Requires the Regional Transportation Authority to continually review the status of the CTA's pension contributions. If the RTA determines that the CTA is more than one month overdue in making a pension contribution in accordance with its funding plan, the RTA will be required to pay the amount of the overdue contribution to the CTA pension fund out of state funds otherwise payable to the CTA.



Formula Increase for IMRF SLEP Employees (P.A. 94-0712)
Prior to the enactment of P.A. 94-0712, the IMRF Sheriff's Law Enforcement Personnel retirement formula provided an annuity of 2.5% of final earnings for the first 20 years of service, plus 2% of final earnings for the next 10 years of service, plus 1% of final earnings for each year in excess of 30, up to a maximum annuity of 75% of final earnings. The Act changed the SLEP formula for members retiring after July 1, 2004, to 2.5% of final earnings for each year of service and increases the maximum annuity to 80% of final earnings.

ILLINOIS STATUTES

Exemptions to 6% End-of-Career Increase Cap (P.A. 94-1057)
Amended the Downstate Teachers' and State Universities' Articles of the Pension Code to exempt the employer (university or the school district) from paying the increased contribution associated with certain salary increases above 6% granted during the employee's final average salary period. Applies to specifically enumerated salary increases granted between June 1, 2005 and July 1, 2011 as follows:

- Salary increases paid to teachers or university employees who are ten or more years away from retirement.
- Salary increases that result when a teacher is transferred from one employer to another as a result of consolidation.
- Salary increases paid to teachers or university employees that are earned as a result of summer school or overload work. (Overload work must be for the sole purpose of academic instruction in excess of the standard number of instruction hours, and must be necessary for the educational mission).
- Salary increases due to promotion for which a teacher is required to hold a certificate or supervisory endorsement issued by the State Teacher Certification Board. The certification must be different than what was required for the teacher's previous position, and the position must have existed and been filled by a member for no less than one complete academic year.
- Salary increase due to promotion for which a university employee moves to a higher classification under the State Universities Civil Service System, promotion to a tenure-track faculty position, or promotion to a position recommended on a promotional list created by the Illinois Community College Board.
- Payments to a teacher from the State Board of Education or the State of Illinois over which the school district does not have discretion.
- Salary increases granted to teachers or university employees under the aforementioned conditions after July 1, 2011, but before July 1, 2014, pursuant to a contract or collective bargaining agree ment entered into on or after June 1, 2005, but before July 1, 2011.

ILLINOIS STATUTES

Creation of Health Care Trust for CTA Employees (P.A. 95-0708)

Provides the CTA shall take all lawful actions necessary to separate the funding of retiree health benefits from the funding for the pension plan no later than July 1, 2009. A Retiree Health Care Trust shall be established 90 days after the effective date for the purpose of providing retirement health care benefits. The RHCT shall assume sole responsibility for providing health care benefits to eligible retirees and their dependants and survivors no later than July 1, 2009.

CTA Health Care Trust Board of Trustees (P.A. 95-0708)

The Trust shall be governed and administered by a Board of Trustees consisting of 7 members. Three shall be appointed by the Chicago Transit Board; one shall be appointed by the labor organization representing the highest number of CTA participants; one shall be appointed by the labor organization representing the second-largest number of CTA participants; and one shall be appointed by the employees not represented by a labor organization representing the highest or second-highest number of CTA participants. The final member shall be a professional fiduciary who has experience in collectively bargained employee pension health plans, and shall be selected by the RTA Board of Directors. The Act stipulates that the health care trust will not offer any health insurance plan which provides for more than 90% coverage for in-network services or 70% coverage for out-of-network services after any deductible has been paid.

CTA Health Care Trust Contributions and Investment Authority (P.A. 95-0708)

Contributions into the Trust will come from employee contributions totaling no less than 3% of compensation. The Board of Trustees will also have the discretion to require contributions from retirees, dependants and survivors based upon their years of service, levels of coverage and Medicare eligibility, provided that the total of these contributions do not exceed 45% of the total benefit cost.

95th General Assembly (2007-2008)

CTA Pension Fund Management Structure (P.A. 95-0708)

Prior to the enactment of P.A. 95-0708, the committee responsible for the governance and administration of the CTA Pension Fund was known as the Retirement Allowance Committee. The Act abolished this committee and replaced it with an 11 member Board of Trustees. Five shall be appointed by the Chicago Transit Board; three shall be appointed by the labor organization representing the highest number of CTA participants; one shall be appointed by the labor organization representing the second-largest number of CTA participants, and one shall be appointed by the employees not represented by a labor organization representing the highest or second-highest number of CTA participants. The final member shall be a professional fiduciary who is an expert in pension plan collective bargaining, and shall be selected by the Regional Transportation Authority Board of Directors.

CTA Pension Fund Investment Authority (P.A. 95-0708)

Stipulates that the Board of Trustees may cause retirement plan funds to be invested in any type of investment permitted for the investment of moneys held by any of the State pension or retirement systems, any unit of local government or school district, or any agency or instrumentality thereof. The Act states that the board may, by a vote of at least two-thirds of the trustees, place retirement plan funds under the investment management of the Illinois State Board of Investment.

CTA Pension Fund Benefit Eligibility (P.A. 95-0708)

All individuals who were participants in the CTA Pension Fund prior to the effective date of the Act (Jan. 18, 2008) shall automatically be members of the new retirement fund, and shall continue receiving the same benefits. For all CTA employees hired on or after the effective date, the following conditions with respect to retirement shall be applicable: full retirement benefits at age 64 with 25 years of continuous service, or a reduced retirement benefit at age 55 with 10 years of continuous service.

Pension Contribution Rates for CTA Employees (P.A. 95-0708)

Beginning January 18, 2008, all participating employees shall contribute 6% of compensation, and the CTA shall contribute 12% of compensation to the Plan. For the period ending December 31, 2040, the amount of debt service on any pension obligation bonds will be treated as a credit against the CTA contribution to the Plan, up to a limit of 6% of compensation.

Contribution Increases to CTA Pension Fund (P.A. 95-0708)

Makes the following contribution changes: if the funded ratio of the CTA pension fund is projected to fall below 60% for any year before 2040, the Board of Trustees will calculate as a level percentage of payroll the amount of increased contributions necessary to eliminate the shortfall within 10 years. These additional contributions will be required for each year prior to 2040 with one-third of the increase coming from increased employee contributions and two-thirds coming from increased employer contributions, in excess of normal contribution rates. For the period beginning 2040, the minimum contribution to the retirement Plan for each fiscal year shall be an amount sufficient to increase the funded ratio to 90% by the end of 2059. Participating employees will be responsible for one-third of the required additional contribution and the CTA will be responsible for two-thirds of the required additional contribution. Beginning in 2060, the required total contributions will be the amount necessary to keep the funded ratio at 90% each year, and the contribution shall be funded two-thirds by the CTA and one-third by the participating employees.

Pension Bond Issuance for CTA Pension Plan (P.A. 95-0708)

The CTA is authorized to issue $1.3 billion in new bonds for the pension system. After payment of the costs of issuance and necessary deposits related to debt service, the net proceeds of approximately $1.1 billion will go only into the Retirement plan for Chicago Transit Authority Employees. In addition, the CTA is authorized to issue $639.7 million in new bonds for healthcare funding.

96th General Assembly (2009-2010)

Calculation of Final Average Salary for Annuity Purposes – General Assembly Retirement System (P.A. 96-0207)

Provides that for participants who become a member of GARS on or after August 10, 2009 (the effective date of the Act), retirement annuities will be based on the 48 consecutive months of service within the last 120 months of service in which the total compensation was the highest, or by dividing the total period of service, if less than 48 months, by the number of months of service in that period.

Calculation of Final Average Salary for Annuity Purposes – Judges Retirement System (P.A. 96-0207)

Provides that for participants who become members of JRS on or after August 10, 2009 (the effective date of the Act), retirement annuities will be calculated by dividing the total salary of the participant during the period of the 48 consecutive months of service within the last 120 months of service in which the total compensation was the highest, or the total period of service, if less than 48 months, by the number of months of service in that period.

Illinois Governmental Ethics Act (P.A. 96-0006)

Currently, elected officials and members of certain boards and commissions are required to file verified written statements of economic interests. Public Act 096-0006 amends the Illinois Governmental Ethics Act to add that members of the board of any retirement system, pension fund or investment board established under the Illinois Pension Code will be required to file verified written statements of economic interests only if they are not already required to file such a statement.

Creation of Investment Working Group (P.A. 96-0006)

Amends the State Treasurer Act to add a new Section titled, "working group; peer cost comparison." The Treasurer shall convene a working group consisting of representatives from the retirement systems, pension funds, and investment board created under the Illinois Pension Code, persons that provide investment services, and members of the financial industry. The working group shall review the performance of investment managers and consultants providing investment services for the retirement systems, pension funds, and investment board created under the Illinois Pension Code. The group shall develop uniform standards for comparing the costs of investment services and make recommendations to the retirement systems, pension funds, and investment board. The working group shall draft a report, and the Treasurer must submit such report, to the Governor and the General Assembly by January 1, 2011.

Expansion of Fiduciary Duties (P.A. 96-0006)

Currently, the Illinois Pension Code defines a fiduciary as someone who exercises discretionary authority or discretionary control respecting management of the pension fund or retirement system. Those who render investment advice for a fee or other compensation are acting in a fiduciary capacity pursuant to current law. Public Act 096-0006 amends the Illinois Pension Code to stipulate that rendering advice with respect to the selection of fiduciaries in and of itself constitutes a fiduciary duty.

ILLINOIS STATUTES

Issuance of Pension Obligation Notes (P.A. 96-0043)

Mandates the issuance of new pension bonds totaling $3.466 billion. The bond sale proceeds, net of sales expenses, will be used as a portion of the FY 2010 State contributions to the various State pension systems. Specifically, the Act establishes the FY 2010 State pension contributions as follows:

1. TRS – $2,089,268,000
2. SERS – $723,703,100
3. SURS – $702,514,000
4. JRS – $78,832,000
5. GARS – $10,454,000.

The FY 2010 total inflows into each of the 5 systems from all sources will be equal to the GRF portion of the certified amounts for each system.

P.A. 96-0043 also establishes that as of June 30, 2008, the actuarial value of each system's assets will be equal to their market value. In determining the actuarial value of the systems' assets for fiscal years after June 30, 2008, any unexpected gains or losses from investment returns incurred in a fiscal year will be recognized in equal annual amounts over the 5 year period following that fiscal year. An unexpected gain or loss will be defined as any deviation from the forecasted 8.0% - 8.5% return on invested assets.

P.A. 96-0043 contains a statement of egislative intent that all of the operating funds freed up by the bond sale should be used to fund programs and services provided by community-based human services providers to ensure the State continues assisting the most vulnerable citizens.

ILLINOIS STATUTES

Disclosure of Fees and Commissions by Consultants (P.A. 96-0006)
Provides that by June 2, 2009, each investment adviser or consultant currently providing services or subject to an existing contract for the provision of services must disclose to the board of trustees all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment adviser or consultant in connection with the provision of those services and shall update that disclosure promptly after a modification of those payments or an additional payment.

Investment Transparency (P.A. 96-0006)
Amends the Illinois Pension Code to create an additional section concerning investment transparency. The purpose of this new section is to provide for transparency in the investment of retirement or pension fund assets and require the reporting of full and complete information regarding investments by pension funds, retirement systems, and investment boards. A retirement system, pension fund, or investment board subject to the Pension Code and any committees established by such system, fund, or board must comply with the Open Meetings Act.

Ethics Training (P.A. 96-0006)
Amends the Illinois Pension Code to create a new Section concerning ethics training. All board members of a retirement system, pension fund, or investment board created under this Code must attend ethics training of at least 8 hours per year. The training shall incorporate the following areas: ethics, fiduciary duty, and investment issues and any other curriculum that the board of the retirement system, pension fund, or investment board establishes as being important.

Prohibition on Gifts (P.A. 96-0006)
Amends the Illinois Pension Code to clarify that no trustee or employee of a retirement system, pension fund, or investment board created under the Illinois Pension Code shall intentionally solicit or accept any gift from any prohibited source.

96th General Assembly *continued*

Requirements for Consultants (P.A. 96-0006)
Amends the Illinois Pension Code to add a new Section concerning consultants. The new Section states that “consultant” means any person or entity retained or employed by the board of a retirement system, pension fund, or investment board to make recommendations in developing an investment strategy, assist with finding appropriate investment advisers, or monitoring the board’s investments.

Reporting Requirements for Emerging Investment Managers (P.A. 96-0006)
Requires that each retirement system, pension fund, and investment board, except for Downstate Police and Downstate Fire pension funds, shall submit a report to the Governor and the General Assembly by January 1 of each year. The report shall include all of the adopted policies, including the names and addresses of the emerging investment managers used, percentage of the assets under the investment control of emerging investment managers, the actions it has undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises, and also specific actions undertaken to increase the use of minority broker-dealers.

Prohibited Transactions (P.A. 96-0006)
Amends the Pension Code to require that a board member, employee, or consultant with respect to a retirement system, pension fund, or investment board shall not knowingly cause or advise the system, fund, or board to engage in an investment transaction with an investment adviser when the board member, employee, consultant, or their spouse (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a relationship with that investment adviser that would result in a pecuniary benefit to the board member, employee, consultant, or spouse of such board member, employee, or consultant as a result of the investment transaction. Clarifies that a consultant includes an employee or agent of a consulting firm who has greater than 7.5% ownership of the consulting firm. Any violation of this provision constitutes a Class 4 felony.

Investment Advisers and Investment Services for Downstate Police and Downstate Fire Pension Funds (P.A. 96-0006)
Modifies the requirements for the procurement of investment advisors and investment services for Downstate Police and Fire pension funds. The Act requires that investment advisers shall be a fiduciary with respect to the pension fund and shall be one of the following:

1. an investment adviser registered under the federal Investment Advisers Act of 1940 and the Illinois Securities Law of 1953;
2. a bank or trust company authorized to conduct a trust business in Illinois;
3. a life insurance company authorized to transact business in Illinois; or
4. an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.

Selection and Appointment of Investment Advisors and Consultants (P.A. 96-0006)
Creates a new section in the Pension Code concerning investment services for all retirement systems, pension funds, and investment boards, except Downstate Police and Fire pension funds. Pursuant to this new Section, all contracts for investment services shall be awarded by the board using a competitive process that is substantially similar to the process required for the procurement of professional and artistic services under Article 35 of the Illinois Procurement Code. The Act states that each board of trustees shall implement this policy by June 2, 2009.

Limitations on Investment Consulting Contracts (P.A. 96-0006)
States that notwithstanding any other provision of law, a retirement system, pension fund, or investment board shall not enter into a contract with a consultant that exceeds 5 years in duration. The Act provides that no contract to provide consulting services may be renewed or extended. At the end of the term of a contract, however, the consultant is eligible to compete for a new contract. No retirement system, pension fund, or investment board shall attempt to avoid or contravene these restrictions by any means.

Changes to SERS Board of Directors (P.A. 96-0006)

States that notwithstanding any provision of current law, the term of office of each trustee of the board appointed by the Governor who is sitting on the board is terminated on that effective date of the Act (April 3rd, 2009). Beginning on the 90th day after the effective date of this Act (July 2, 2009), the board shall consist of 13 trustees as follows:

(i) the Comptroller, who shall be the Chairperson;
(ii) six persons appointed by the Governor with the advice and consent of the Senate who may not be members of the system or hold an elective State office and who shall serve for a term of 5 years, except that the terms of the initial appointees under this Act shall be 3 for a term of 3 years and 3 for a term of 5 years;
(iii) four active participants of the system having at least 8 years of creditable service, to be elected from the contributing members of the system;
(iv) two annuitants of the system who have been annuitants for at least one full year, to be elected from and by the annuitants of the system.

Changes to SURS Board of Trustees (P.A. 96-0006)

Amends the Illinois Pension Code to add that the terms of all trustees holding office on the effective date of this Act (April 3, 2009) shall terminate on that effective date. The Governor shall make nominations for appointment within 60 days after the effective date of this Act (June 2, 2009). A trustee sitting on the board on April 3, 2009 may not hold over in office for more than 90 days after that effective date. In addition to this, Public Act 096-0006 states that beginning on the 90th day after the effective date of this Act (July 2, 2009), the Board of Trustees shall be constituted as follows:

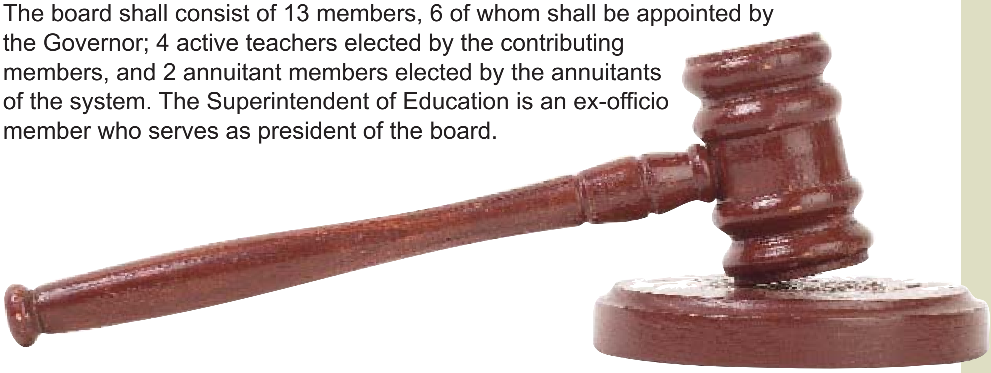
(i) The Chairperson of the board of Higher Education, who shall act as chairperson of thes Board.
(ii) Four trustees appointed by the Governor with the advice and consent of the Senate who may not be members of the system or hold an elective State office and who shall serve for a term of 6 years, except that the terms of the initial appointees shall be 2 for a term of 3 years and 2 for a term of 6 years.
(iii) Four active participants of the system to be elected from the contributing membership of the system by the contributing members, no more than 2 of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be 2 for a term of 3 years and 2 for a term of 6 years.
(iv) Two annuitants of the system who have been annuitants for at least one full year, to be elected from and by the annuitants of the system, no more than one of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be 1 for a term of 3 years and 1 for a term of 6 years.

Termination of TRS Executive Director (P.A. 96-0006)

Amends the Illinois Pension Code to add that the secretary and chief executive officer of the Teachers' Retirement System, known as the Executive Director, holding that position on April 1, 2009 is terminated on July 1, 2009, by operation of law, and shall thereafter no longer hold that position or any other employment with the system. The board is directed to take whatever action is necessary to effectuate this termination.

Changes to the TRS Board of Trustees (P.A. 96-0006)

Amends the Pension Code to change the composition of the TRS board of trustees. The board shall consist of 13 members, 6 of whom shall be appointed by the Governor; 4 active teachers elected by the contributing members, and 2 annuitant members elected by the annuitants of the system. The Superintendent of Education is an ex-officio member who serves as president of the board.



ILLINOIS STATUTES

Illinois Pension Code Amendments

No Monetary Gain on Investments (P.A. 96-0006)

No member or employee of the board of trustees of any retirement system, pension fund, or investment board or any spouse of such member or employee shall have any direct interest in the income, gains, or profits of investments made on behalf of a retirement system, pension fund, or investment board for which such person is a member or employee, nor receive pay or emolument for services in connection with any investment.

Fraud (P.A. 96-0006)

CreateS a Section concerning fraud. Any person who knowingly makes any false statement or falsifies or permits to be falsified any record of a retirement system or pension fund created under this Code or the Illinois State Board of Investment in an attempt to defraud the retirement system, pension fund, or the Illinois State Board of Investment is guilty of a Class 3 felony.

Contingent and Placement Fees Prohibited (P.A. 96-0006)

Creates a Section concerning the prohibiting of contingent and placement fees. No person or entity shall retain a person or entity to attempt to influence the outcome of an investment decision of or the procurement of investment advice or services of a retirement system, pension fund, or investment board for compensation, contingent in whole or in part upon the decision or procurement. Any person who violates this provision is guilty of a business offense and shall be fined not more than $10,000. Any person convicted of a violation of this provision is prohibited for a period of 3 years from conducting such activities.

Approval of Travel or Educational Mission (P.A. 96-0006)

Creates a Section concerning travel and educational missions. The expenses for travel or educational missions of a board member of a retirement system, pension fund, or investment board must be approved by a majority of the board prior to the travel or educational mission.

VETO SESSION

98th General Assembly (2013-2014)

Chicago Park District Pension (P.A. 95-0708)

On November 6, 2013, the Illinois House passed Senate Bill 1523 and the Senate concurred with Amendments 3 and 4 the following day. The bill contains several provisions aimed at stabilizing the Chicago Park District's underfunded pension fund which is currently 43% funded. The Park District projects that with this reform legislation, the pension fund's funded ratio will reach 90% by 2049 and 100% by 2054. The bill has been sent to the Governor for signature.

The Illinois Pension Code was amended with changes that include:

- Increasing the early retirement age from 50 to 58 for Tier 1 employees under 45-years-old; for Tier 2 employees, the age for full benefits decreases from 67 to 65 and early retirement age decreases from 62 to 60 as of January 1, 2015.
- Phasing in employee contribution increases from the current 9% up to 12% over five years.
- Requiring supplemental employer contributions of $12.5 million in 2015 and 2017, and $50 million in 2019.
- Increasing the employer property tax levy multiplier from 1.7 in 2015 to 2.3 in 2017, and then to 2.9 in 2019.
- Capping pensionable salary for current Tier I employees.
- Decreasing the annual COLA from 3% to the lesser of ½ of the CPI or 3%. This would affect current retirees.
- Suspending COLAs for 2015, 2017, and 2019.
- Decreasing the duty disability benefit.
- Prohibiting new benefits unless additional funds are authorized.
- Adding a funding guarantee; the pension fund will have the authority to enforce annual employer contributions and supplemental employer contributions by mandamus action in the courts.

97th General Assembly (2011-2012)

Anti-Fraud Provisions (P.A. 97-0651)

Provides that any reasonable suspicion of a false statement by any appointed or elected commissioners, trustees, directors, board members, or employees of a retirement system or pension fund governed by the Pension Code or the State Board of Investment shall be immediately referred to the board of trustees of the pension fund or the State Board of Investment. The Act also states that the board shall immediately notify the State's Attorney of the jurisdiction where any alleged fraudulent activity occurred.

Pension Credit for Employees of Statewide Teacher Organizations – SURS and TRS (P.A. 97-0651)

Prior to the enactment of P.A. 97-0651, members of SURS and TRS were allowed to earn pensionable service credit while working for a statewide teacher organization or national teacher organization under certain conditions. P.A. 97-0651 specifies that such service credit can only be earned if the individual first became a full-time employee of the teacher organization and becomes a participant before the effective date of this amendatory Act (January 5th, 2012). This provision effectively prohibits members of SURS and TRS from earning this type of service credit after January 5, 2012.

Repeal of Optional TRS Service Credit Provision of P.A. 94-1111 (P.A. 97-0651)

P.A. 94-1111, which became effective on February 27th, 2007, allowed certain employees of statewide teacher organizations to establish service credit in TRS for periods of employment prior to becoming certified as a teacher if certain conditions were met before the effective date of the Act. P.A. 97-0651 repeals this provision.

Payment for Reciprocal Service in GARS (P.A. 97-0967)

Amends the GARS and the General Provisions Articles of the Illinois Pension Code. In cases where a GARS participant's final average salary in a retirement fund governed under the Retirement Systems Reciprocal Act is used to calculate a GARS pension, and in cases where the final average salary in a reciprocal system is higher than the final salary for annuity purposes in GARS, then the employer of the participant in the reciprocal system must pay to GARS the increased cost that is attributable to the higher level of compensation.

Creation of the State Actuary (P.A. 97-0694)

Amends the Illinois State Auditing Act to permit the Auditor General to contract with or hire an actuary to serve as the State Actuary. The Act allows the Auditor General to select the State Actuary without engaging in a competitive procurement process. The State Actuary will have the responsibility for conducting reviews of the actuarial practices of the State retirement systems and identifying recommended changes in actuarial assumptions that the boards of the systems must consider before finalizing their certifications of the required annual State contributions.

PENSION REFORM DEAL

On November 29, 2013 Illinois legislative leaders revealed specifics on the deal they reached to overhaul the state's underfunded public pension system. State lawmakers are expected to take up pension reform on December 3. The Illinois House speaker's office released the following details on the deal:

Funding schedule and method for certifying contributions:

Establishes an actuarially sound funding schedule to achieve 100% funding no later than 2044. Contributions will be certified using the entry age normal actuarial cost method (EAN), which averages costs evenly over the pensioner's employment and results in more level contributions.

Supplemental contributions:

The State will contribute (i) $364 million in FY19, (ii) $1 billion annually thereafter through 2045 or until the system reaches 100% funding, and (iii) 10% of the annual savings resulting from pension reform beginning in FY16 until the system reaches 100% funding. These contributions will be a "pure add on," which means State contributions in any year will not be reduced by these amounts.

Funding guarantee:

If the State fails to make a pension payment or a supplemental contribution, a retirement system may file an action to compel the State to make the required pension payment and/or supplemental contribution.

Employee contribution:

Employees will contribute 1% less toward their pension.

Annual annuity adjustment (COLAs):

Future COLAs will be based on a retiree's years of service and the CPI. The annual increase is equal to 3% of years of service multiplied by $1,000 ($800 for those coordinated with social security). The $1000/$800 will be adjusted each year by the CPI for everyone (retirees and current employees). Those with an annuity that is less than their years of service times $1000/$800 (or whatever the amount is at the time of retirement) will receive a COLA equal to 3% compounded each year until their annuity reaches that amount.

Staggered skips for annual adjustments:

Current employees will miss annual adjustments depending on age: employees 50 or over miss 1 adjustment (year 2); 49-47 miss 3 adjustments (years 2, 4, and 6); 46-44 miss 4 adjustments (years 2, 4, 6, and 8); 43 and under miss 5 adjustments (years 2, 4, 6, 8, 10).

Pensionable salary cap:

Applies the Tier II salary cap ($109,971 for 2013), which is annually adjusted by the lesser of 3% or ½ of the annual CPI-U. Salaries that currently exceed the cap or that will exceed the cap based on raises in a collective bargaining agreement would be grandfathered in.

Retirement age:

For those 45 years of age or under, the retirement age will be increased on a graduated scale. For each year a member is under 46, the retirement age will be increased by 4 months (up to 5 years).

Effective rate of interest (ERI):

The ERI for SURS and the rate of regular interest for TRS would be set to a value equivalent to 75 basis points above the interest paid by 30-year U.S. Treasury Bonds for all purposes.

GARS Tier 2 fix:

Changes the GARS Tier 2 salary cap and annual adjustment to bring it in line with all other Tier 2 benefits.

Pension abuses:

Prohibits future members of non-governmental organizations from participating in the systems and new hires from using sick or vacation time toward pensionable salary or years of service.

Defined contribution plan:

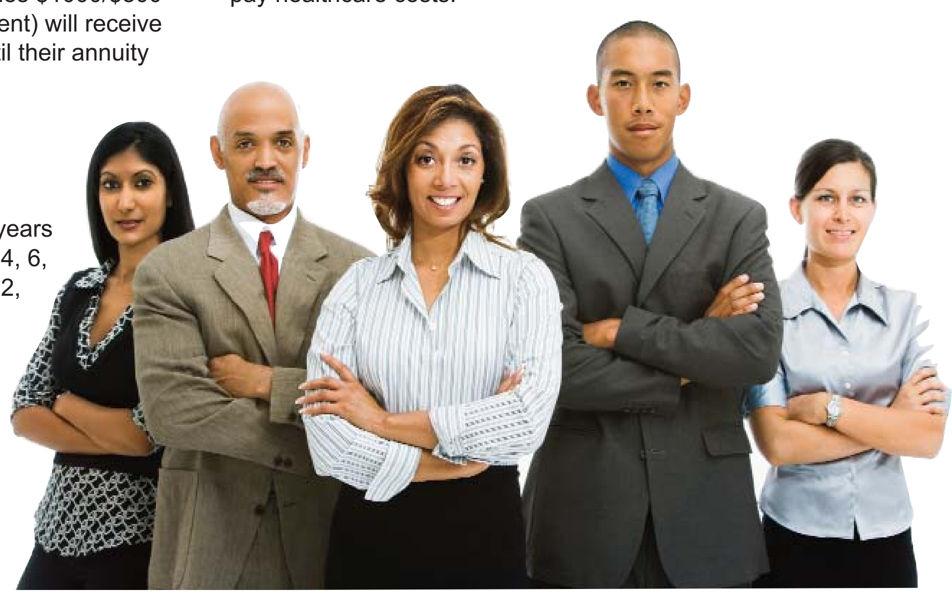
Up to 5% of Tier 1 active members have the option of joining a defined contribution plan. If a member chooses to opt into the defined contribution plan, benefits previously accrued in the defined benefit plan will be frozen.

Collective bargaining:

All pension matters, except pension pickups, are removed from collective bargaining.

Healthcare payments:

Prohibits the State pension systems from using pension funds to pay healthcare costs.



RESOURCES

Illinois General Assembly
www.ilga.gov

This site is maintained for the Illinois General Assembly by the Legislative Information System in Springfield. The site features the Illinois Constitution, Illinois Compiled Statutes, current bills and resolutions, special legislative reports, and Public Acts from previous General Assembly's.

COGFA
www.cgfa.ilga.gov

The Commission on Government Forecasting and Accountability (COGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The website features monthly briefings, pension reports, economic forecasts and revenue estimates.

Illinois Comptroller
http://ledger.illinoiscomptroller.com

The Ledger is your portal to Illinois government. State financial records, as well as official reports and analyses can all be found here. You can track the daily activity of the state's accounts, perform searches on specific revenues, expenditures, and entities, or even track a state employee's salary.

Illinois Transparency and Accountability Portal
http://accountability.illinois.gov

The ITAP portal includes information about state employee pay, state agency contracts, state agency expenditures, corporate accountability and professional licenses. The data on each section of the portal website is updated regularly.

Illinois Association of County Board Members and Commissioners
413 West Monroe
Springfield, Illinois 62704

(217) 528-5331
(217) 528-5562 Fax
www.ilcounty.org